



# The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

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March 2002

## Opinion of Value

By Donald Jordan  
*Immediate Past Board Chairman*

My, how time has flown since Y2K—January 1, 2000. Hardly anyone mentions that acronym—Y2K—any more, and yet three years ago, we were all building our lives around it. I'll admit I filled my extra water jugs! But no matter how apprehensive we were for our future and the impact it might have on our business, all quickly normalized, and for the most part, Y2K had very little impact on our business or personal lives.

But one thing is impacting our lives as appraisers, and that is the acronym USPAP. It is one acronym we will be building our lives and businesses around for a much longer time than can be said for Y2K. In fact, it might be said that if USPAP is not a center-piece for our businesses today, our livelihoods and lives may be affected greatly tomorrow, for if a complaint is lodged against an appraiser and the Board finds fault and successfully imposes disciplinary action, the consequences could be life-changing as well as downright embarrassing!

This brings to mind two points that I, as a Board member, see out there right now: 1) For many of our appraisers, USPAP is not a center-piece of their businesses. This is demonstrated by those who are interviewed in the non-judicial panel

(See *VALUE*, page 4)

## Seminar Slated April 16

"A Day With the Board," the annual seminar sponsored by the Arkansas Appraiser Licensing and Certification Board, will be held Tuesday, April 16, at the Riverfront Hilton Inn in North Little Rock.

Tom Scott, the Board's new chairman, said two speakers are being brought in from out-of-state "to put a face" on the kind of violations of appraisal standards that are being found and what regulators are doing about them.

Now that professional standards are in place, "somebody has to deal with violations," and that is the responsibility of the Arkansas board, Scott said. Therefore, enforcement will be the focus of the seminar as it is the focus of the Board's work.

Danny Wiley of Nashville, Tenn., chairman of the Appraisal Standards Board (ASB), will speak at the seminar about revisions contained in the 2002 Uniform Standards of Professional Appraisal Practice (USPAP). He also will participate on a panel discussion of standards compliance/interpretation. The panelists will explore what an appraiser could have done to achieve at least minimum compliance with a standard and the appropriate penalties for a range of violations.

Larry Disney, chief investigator for the Kentucky Appraiser Licensing Board, will tell how his state processes complaints and initiates investigations.

As in the past, seminar participants will be awarded 7 hours of continuing education credit toward their two-year, 28-hour requirement for license renewal.

Additional information about the seminar agenda and registration forms are expected to be available soon for Arkansas appraisers.

## Board Shuts Gate on Missouri Entry

The Arkansas Appraiser Licensing and Certification Board has told its staff to adhere strictly to the agency's regulations, which means applicants no longer may use the Missouri exam (or that of any other state) to qualify for licensure in Arkansas.

Section II of the Board's rules states an individual must meet edu-

cational and experience requirements before applying for a license and participate in a personal competency review before taking the examination. All prerequisites must be met at least 60 days before the exam is taken.

Applicants cleared to take the exam after being interviewed per-

(See *MISSOURI*, page 2)

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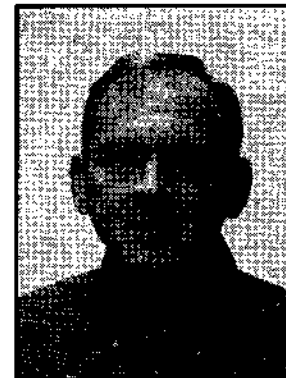
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"The Appraiser" is seeking timely articles or comments on practical appraisal subjects of interest to both residential and nonresidential appraisers from appraisers, lending institutions, and other mortgage lenders. The articles or letters should be sent to the Board's office at the above address.

Entered as second class matter:  
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Tom Scott



Jonathan Street

## Scott, Street Are Board's Leaders

Tom Scott of Little Rock, president and a co-founder of CAMA Technology, Inc., was elected chairman of the Arkansas Appraiser Licensing and Certification Board for 2002 at its Feb. 7 meeting. He succeeds Donald Jordan of Hope.

Jonathan Street, who founded his own appraisal firm in Jonesboro in 1987, was chosen vice-chairman, filling the slot previously held by Scott.

Scott's firm does either appraisal work or software development and assessment support for many Arkansas counties and a few out-of-state local governments as well. He is a State Certified General appraiser and is a past president of the Arkansas Chapter of the International Association of Assessing Officers (IAAO), the organization he represents on the Arkansas Board. Scott also is a leader in the Arkansas Chapter of the Appraisal Institute.

A Monticello native with a bachelor's degree in public administration from the University of Arkansas at Fayetteville, Scott is in his third year on the Board and has been on its Education/Examination Review Committee and its Budget and Finance committee. He and his wife, Gale, have two sons.

Street's firm emphasizes commercial property appraisals but he is a certified general appraiser who also does industrial, agricultural, and residential property. He has served 11 years on the Valley View School Board and is active in the local chapter of the National Association of Independent Fee Appraisers. Street worked days to support his family and finished his degree in business administration at Arkansas State University in 1985 by attending night classes.

## MISSOURI

(Continued from page 1)

sonally by Board representatives may take the test in another state—but only with the Board's approval, and that appears likely to be given only under highly unusual circumstances.

Board Executive Director Jim Martin said "the sum of all these provisions is to establish a mechanism by which the...Board ensures the eligibility of all applicants in advance of taking the examination."

Arkansas offers appraiser license exams twice a year. Missouri apparently conducts them more often, and Martin said there has been a "growing tendency" for Arkansans to travel north to enter the licensing arena by just taking Missouri's exam.

"Arkansas residents who have

by-passed this [pre-exam] process in order to just take the exam by applying through the Missouri Board are deemed to have circumvented the process, and any score report subsequently submitted with an application for an Arkansas license under this scenario will not be acceptable," Martin said.

In a recent letter to a Sevier County resident who had initiated the application process in Missouri, Martin said the man could com-

plete the process in the "Show Me" state, after which he would have the options of obtaining an Arkansas license by reciprocity, transferring the license subject to the Arkansas Board's requirements and approval, or performing his work in Arkansas under a Temporary Practice Permit.

Of course, Martin added, another option would be for the man to start and finish the application process in his own home state!

## 246 Appraisers Are Registered Under New Law

The main features of Act 1256 of 2001, which required appraisers who develop estimates of value for non-federally related transactions to be registered with the Board by Dec. 31, 2001, have now been implemented.

As of Feb. 13, 246 real property fee appraisers and associates/trainees had registered with the Board under the act. Of these, 95 came from the forestry profession (timberland appraisals), 32 are realtors/appraisers, and 119 are appraisers-in-training under the supervision of licensed or certified appraisers.

The law gave the Board only a few months to implement the law, which put a great demand on its staff. Apparently most of those affected by the law have complied because only an occasional application is being received. Firms that have people in training to become appraisers should remind them to register with the Board. It's the law!

Unless he or she did it before registering, the new Registered Appraiser must show proof of completing a 15-hour course on the Uniform Standards of Professional Appraisal Practice (USPAP) before renewing his/her license for the first time. The work products of Registered Appraisers will be measured against the USPAP.

Appraisers-in-training who anticipated upgrading their status will be provided with an expanded log for recording their claimed work experience. The log will be available after the Board has reviewed and adopted the revised form.

The new log will require applicants for licensure to document their work experience on the time

## Status Report

As of February 13, 2002, the Board's records showed these totals for appraisers:

State Certified General .....	370
State Certified Residential ....	311
State Licensed .....	115
State Registered .....	246

(Includes Temporary and Non-Resident Appraisers)

### NEXT EXAM April 6, 2002

Potential applicants should contact the Board's staff for current information on the application process, exam schedules, fees, and other licensing matters by calling (501) 296-1843, or visit the Board's website at [www.state.ar.us/aicb/](http://www.state.ar.us/aicb/) or write the Appraiser Licensing and Certification Board at 2725 Cantrell Road, Suite 202, Little Rock, AR 72202.

involved basis because the 8-hour norm for a single-family residential appraisal, etc., when the appraiser's name appears somewhere in a report is no longer acceptable.

## Next Board Meeting

The Arkansas Appraiser Licensing & Certification Board meeting is scheduled for Monday, April 15, 2002 at 1:30 p.m. in the Board's Conference Room located at 2725 Cantrell Road, Ste. 202, Little Rock, AR.

The regular meetings are open to the public.

## Complaints Show 'Serious Trend' Is Emerging

With 21 complaints filed against 24 appraisers, 2001 was not the abysmal year in numbers that originally was anticipated, but they do show a serious trend is emerging.

A greater than usual number of complaints—six—were filed by lending institutions, and half of them involved repossessed properties. The institutions supported their charges with 10 non-residential property appraisals and reviews. In addition, the five non-residential property complaints were considerably more complex than those in the past.

The public sector (sellers and/or borrowers) was the predominant complainant, bringing 10 charges against 12 appraisers. The second leading complainant was the lending institutions, which previously had been at the bottom of the complaining list. The peer review appraisers were not silent in 2001 either, recording 4 of the 21 complaints filed. One complaint was filed by the Board against a non-resident appraiser.

Nearly half (48 percent) of the complaints were dismissed for failure to find probable cause. This is consistent with previous years. Only one of the dismissals involved a commercial property appraiser.

Of the 11 remaining complaints, 6 were referred for non-judicial hearings and one was recommended for a full Board hearing. As this shows, only one of three complaints ever reaches the non-judicial hearing (informal conference) adjudication level. These conferences usually lead to 1) remedial education for the appraiser; 2) fines followed by 3) probation, during which a monthly report is required of all appraisal assign-

(See COMPLAINTS, page 5)

# ASB Questions and Answers

**(Editor's Note:** *The Appraisal Standards Board (ASB) does not establish new standards or interpret existing ones. It issues Q&A to inform appraisers, regulators, and users of appraisal services of ASB responses to questions raised; to illustrate the applicability of USPAP in specific situations; and to offer advice from the ASB to help resolve appraisal issues and problems. The ASB Q&A does not constitute a legal opinion.*)

**Question:** Does USPAP require appraisers to develop an "as vacant" highest and best use for an improved subject property?

**Answer:** No. Standards Rule 1-3(b), a specific requirement, mandates an appraiser to: *develop an opinion of the highest and best use of the real estate (emphasis added).* The Comment on this standard explains: *The appraiser must recognize that land is appraised as though vacant and available for development to its highest and best use, and that the appraisal of improvements is based on their actual contribution to the site.*

**Question:** Can appraisers allow anyone, including their supervisor or employer, unlimited access to and use of

their digital signature?

**Answer:** No. USPAP defines signature as: *personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions of the report.* The Comment on this standard explains that a signature can be a handwritten mark, a digitized image controlled by a personalized identification number, or other media, **where the appraiser has sole personalized control of affixing the signature.** (Emphasis added.) As a result, unlimited access is not allowed because it implies an appraiser has relinquished his or her ability to have sole personalized control of his or her signature.

**Question:** I recently was asked by a client to appraise a residential property located on a 40-acre site. The client also provided instructions to appraise the dwelling and only 5 acres of the tract. They are unable to provide a survey delineating the 5 acres. The intended use of the appraisal is for mortgage lending purposes. Can I do this in conformance with USPAP?

**Answer:** Yes. USPAP allows an appraisal of a physical segment of a property to be developed under certain conditions. Standards Rule 1-2(e)(v), a binding requirement, states: *In developing a real property appraisal, an appraiser must: ... identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal, including: ... whether the subject property is a fractional interest, physical segment, or partial holding (emphasis added).* The Comment on this rule adds: *If the necessary subject property information is not available because of assignment conditions that limit research opportunity (such as conditions that preclude onsite inspection or the gathering of information from reliable third-party sources), an appraiser must: ... where possible, use an extraordinary assumption about such information. An appraiser may use any combination of a property inspection and documents, such as a physical legal description, address, map reference, copy of a survey or map, property sketch, or photographs, to identify the relevant characteristics of the*

(See Q&A, page 6)

## VALUE

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setting because of complaints against them. It also is demonstrated by the trainees being interviewed for licensure, and much of the interview reflects on the licensed or certified individual training the trainee.

You can bet that if you, as an appraiser, come before the Board for an interview, we are going to wring out of you what you know about USPAP. And for the most part, the results are disappointing. I encourage everyone: get into and understand USPAP, and use it. This will save you many headaches later on. You never know when a lack of knowledge will come back to haunt you.

2) Several times I have seen individuals come before a non-judicial

panel or full Board hearing exhibiting an extremely arrogant attitude. It's an attitude that says "I have done nothing wrong; I know the situation and you do not; there's not anything you can tell me I do not know, and however this turns out, I'm still going to do it my way."

I assure all appraisers that the Appraisal Board is a dedicated and conscientious group made up of seven appraisers, a user of appraisal services, and two non-appraiser public members. Our job is to represent the public by enforcing the laws, rules and regulations of Arkansas. We do our best to accomplish this in a fair and equitable manner. We expect appraisers to defend their position when it can be defended, but we also can see through it when there is no defense. And we always hope to use any appearance before the Board or a panel as a learning experience

so that an appraiser will improve his or her performance. I can assure you further that an appraiser will not be visiting the Board at this level if there were not areas needing improvement. I realize arrogant attitudes are built into an individual, but they are not advantages in any Board interview.

Our Board has been operating more than 10 years. In the beginning, there was a lot to be done and there still remains much to be done—not only in gaining compliance with USPAP but in upgrading our education because so many classes are not equipping our people for the jobs they are doing. We need better on-the-job training; logging appraisal experience; and the challenges of the Registered Appraiser, to name a few. If we want appraising to be a profession, we can never rest until it is honed "near perfect."

## AQB Unveils Plan To Improve USPAP Education

Because of ongoing concerns voiced to it, the Appraiser Qualifications Board (AQB), an independent body of The Appraisal Foundation, has developed a program to improve and standardize the overall quality of Uniform Standards of Professional Appraisal Practice (USPAP) education effective Jan. 1, 2003.

The program focuses on these elements:

- Consistent USPAP course content for both qualifying and continuing education;
- Certification of USPAP instructors to ensure subject matter competency; and
- Increased continuing education requirements for appraisers, including a minimum seven hours of USPAP education every two years.

A major part of the program is the *Instructor Certification Course*, an in-depth study of all concepts in the annual USPAP edition that includes two days of instruction by a current or former members of the Foundation's Appraisal Standards Board (ASB) followed by a comprehensive exam.

Several *Instructor Certification Courses* are being sponsored by the AQB around the country between now and July. They include April 19-21 in Seattle; May 17-19 in Chicago; and June 21-23 in Baltimore.

Seating is limited, and the AQB will not accept applications unless they are received at least 30 days before each course offering. The previously announced cost of the

## COMPLAINTS

(Continued from page 3)

ments from which reports are selected for Board review.

The Board has only one of its decisions undergoing judicial review at this writing. In this case, the Board ordered a limited suspension of the appraiser's license.

Four cases remain open because they are in various stages of being investigated.

The driving force behind most of the public sector complaints is value conclusion. It is either too high or too low and "killed the deal" in the complainant's eyes. In these and on all other complaints, the Board does not look just at the complaint allegation but thoroughly considers all aspects of the ap-

course is \$425. More specific information is contained in the "Headlines" section on the Foundation's Web site:

[www.appraisalfoundation.org](http://www.appraisalfoundation.org)

Instructors with questions should contact Mavis Kleso at 202-624-3050 or email her at [mavis@appraisalfoundation.org](mailto:mavis@appraisalfoundation.org).

praisal and determines if there are any obvious USPAP violations.

Allegations in other complaints include: 1) an error in calculating or measuring gross living area; 2) selecting comparable sales from superior subdivisions; 3) gross errors in fact because of the data used; 4) appraising non-residential properties in excess of that permitted under the Certified Residential status; 5) failing to develop an appraisal within the agreed time; 6) failing to make an interior inspection of a subject; 7) failing to exercise due diligence in confirming and verifying market data; and 8) appraisals of repossessed properties were flawed to such an extent that at the time of refinancing, the value conclusion was in excess of the market value.

When reviewing complaints, it is not unusual for the Probable Cause Panel or a third-party reviewer to find numerous USPAP violations. If appraisers were to exercise extreme caution to ensure that their appraisals are in compliance with the standards, more complaints could be dismissed.

## Approved Education Providers / Offerings

**Baker's Professional Real Estate College** - Contact Billie Joe Baker (318) 222-7459, Shreveport, La.

**Kelton Schools** - Contact Ron Kelton (870) 932-7202.

**McKissock Data Systems** - Call 1-800-328-2008.

**National Association of Independent Fee Appraisers** - Contact 1-800-335-1751 for more information. Offering 1.1 *Principles of Residential Real Estate Appraising*, 30 hrs. QE, March 14-17; 1.2 *Market Data Analysis of Residential Real Estate*, 30 hrs. QE, March 7-10; 2.0 *Financial Analysis of Income Properties*, 15 hrs. QE, March 1-2.

**RCI Career Enhancements** - Contact David Reinold (501) 968-7752. *Uniform Standards of Professional Appraisal Practice*, 15 hrs. QE/CE, The Clarion in Hot Springs, March 8-9.

**The Columbia Institute** - Call 1-800-460-3147, George Harrison.

**The Lincoln Graduate Center** - Call 1-800-531-5333 for more information.

**University Seminars, Inc. (ASU Division)** (ASU Division) - Contact Don Featherston, 1-800-315-8777. *Appraisal Mathematics & Statistics*, 15 hrs. QE/CE, March 8-9; *Ethics and Standards-USPAP*, 15 hrs. QE/CE, March 22-23.

## Q&amp;A

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*subject property. The information used to identify the property characteristics must be from sources the appraiser reasonably believes are reliable.* Therefore, this type of assignment can be done in compliance with USPAP as long as the appraiser is able to identify the relevant characteristics of the subject property.

**Question:** Recently I was asked to review the income approach to value in a real property appraisal report. The client did not ask me to comment on the final value conclusion. He simply asked that I review the income approach and advise him about its credibility. Because it involves only reviewing a part of an appraisal report, does USPAP apply?

**Answer:** Yes. Standard 3 USPAP defines appraisal review as: *the act or process of developing and communicating an opinion about the quality of another appraiser's work.* The Comment section explains: *The subject of an appraisal review assignment may be all or part of an appraisal report, workfile, or a combination of these (emphasis added).*

**Question:** Does USPAP require an appraisal, appraisal review, or appraisal consulting report to contain a section within the report labeled "Scope of Work?"

**Answer:** No, but USPAP does require all reports to disclose the scope of work used in the assignment. The level of detail re-

## Oklahoma Rules Victimize Arkansans

At least two Arkansas appraisers have been victimized by Oklahoma's rules governing the profession, leading the Arkansas Appraiser Licensing and Certification Board to issue a warning to those who do business in the "Sooner State" or are contemplating doing so by reciprocity.

Oklahoma law requires issuing credentials for three years with annual payment of fees. If an appraiser fails for any reason to pay his or her second or third year's fees, the appraiser's license is revoked automatically, and this information is posted without explanation on the *Federal Registry*.

Unless the Arkansan is prepared to a three-year commitment to do work in Oklahoma and the payment of annual fees,

non-payment revocation could result in a blemish on his or her reputation and status. In the cases of the Arkansans known to the Board, a client refused to do business with them because of the Oklahoma revocation.

Jim Martin, executive director of the Arkansas Board, said an Arkansan might want to consider obtaining a Temporary Practice Permit if he or she does not anticipate having multi-year work in Oklahoma.

Martin complained to the Appraisal Subcommittee about Oklahoma's practice but received a non-responsive letter from Executive Director Ben Henson, in which he noted that Oklahoma applies its policy "equally to resident and non-resident appraisers."

quired is relative to the reporting option (self-contained, summary, or restricted) used in the assignment. For example, Standards Rule 2-2 (b)(vii) requires the appraisal report to *summarize sufficient information to disclose to the client and any in-*

*tended users...the scope of work used to develop the appraisal.* The Comment to this Rule states, in part: *...The appraiser has the burden of proof to support the scope of work decision and the level of information included in a report...*

ARKANSAS



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